



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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Republicans Underfund the SEC

Dear Democratic Colleague:

In the wake of the Enron collapse and other corporate scandals, we must do everything we can to ensure corporate accountability and protect employees, shareholders, and consumers. On Tuesday the President will deliver a speech on this issue, and his attention to this matter is certainly welcome. At the same time, Democrats are concerned that Republican budgets have underfunded the Securities and Exchange Commission (SEC) and thus diminished that agency's enforcement capabilities. To date, the Administration has offered words rather than deeds on this issue, paying lip service to a strong SEC but failing to provide the funding needed to create it.

Despite bipartisan agreement that the SEC does not have adequate resources to keep up with its workload, this year's Republican budgets failed to increase funding to hire more staff or to provide the competitive salaries needed to improve SEC staff retention. This contrast between the Administration's words and their budget risks creating the impression that the Administration is more interested in rhetoric than in real corporate accountability.

- ***Republican Budgets Reject Bipartisan Consensus on Pay Parity for SEC*** — Lawyers, accountants, and examiners at federal banking agencies make up to 40 percent more than comparable employees at the SEC. Between 1998 and 2000, the SEC had turnover of about one third of its staff, delaying its performance of critical regulatory functions. In January 2002, the President signed into law legislation authorizing SEC pay parity. SEC Chairman Harvey Pitt has stated his strong support for SEC pay parity, as did the FY2003 Views and Estimates for both the Majority and the Minority of the House Financial Services Committee. *Yet, neither the President's budget nor the House Republican budget provided funding for SEC pay parity.*
- ***Budget Committee Republicans Reject Democratic Pay Parity Amendment*** — In the House Budget Committee markup of this year's budget resolution, Democrats offered an amendment to provide roughly \$70 million per year to fund SEC pay parity. *The amendment was defeated because every Republican member of the Budget Committee voted against it.*

- ***Republican Budgets Fail to Provide Funding to Boost SEC Staffing*** — A March 2002 GAO report concluded that resource limitations have resulted in an SEC staff that is smaller than is needed to keep up with the SEC's workload. SEC Chairman Harvey Pitt has requested additional funding to increase SEC staffing levels, and Republicans and Democrats on the House Financial Services Committee have requested increased SEC funding, as well. *Yet, neither the President's budget nor the House Republican budget for FY2003 provided funding for new SEC staff.*

As the Administration works with Congress to find solutions to the problems of corporate accountability, I sincerely hope that the Administration matches its words with actions. If the Administration is serious about this issue, it will need to provide the SEC with the resources it needs to do its job effectively.

Sincerely,

John M. Spratt, Jr.
Ranking Democratic Member